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VERMILION
ENERGY TRUST



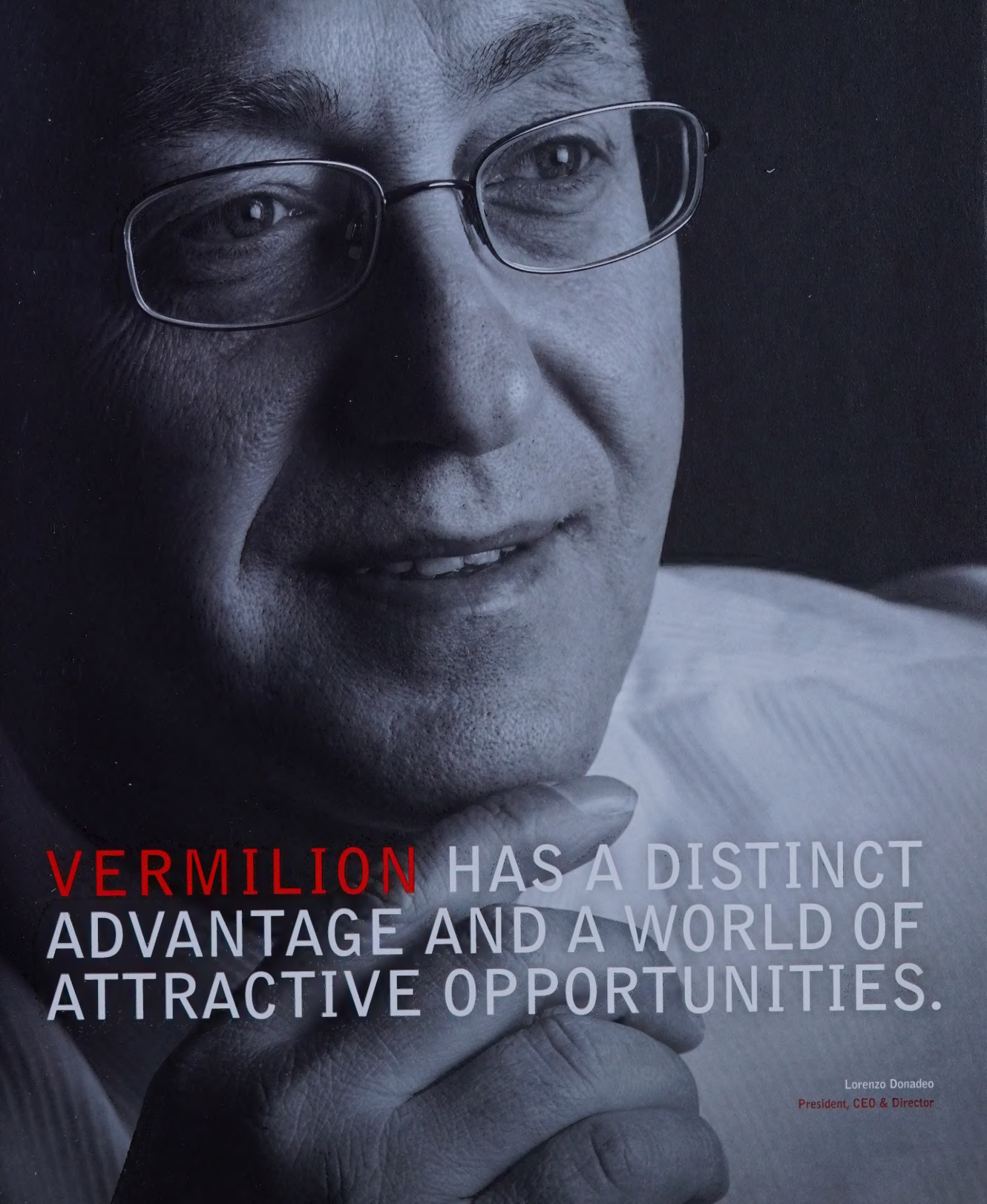
A WORLD OF OPPORTUNITY

Annual Update
2004

AS THE ONLY CANADIAN OIL AND GAS TRUST WITH ASSETS OUTSIDE NORTH AMERICA,

VERMILION
ENERGY TRUST



A close-up, black and white portrait of a middle-aged man with glasses, smiling slightly. He is resting his chin on his hand. The background is dark and out of focus.

VERMILION HAS A DISTINCT
ADVANTAGE AND A WORLD OF
ATTRACTIVE OPPORTUNITIES.

Lorenzo Donadeo
President, CEO & Director

PRESIDENT'S MESSAGE

Dear Unitholders,

As the only Canadian-based energy trust with assets outside North America, Vermilion is truly unique.

While high commodity prices have benefited the oil and gas sector, they have made it far more difficult and expensive to find attractive acquisitions in North America. Strategically, Vermilion began adding value-based international production and reserves more than eight years ago—giving us the distinct advantage of having assets, knowledge and experience about international operations. While one of our goals was to maintain a balance between international and Canadian assets, given the current market conditions for acquisitions in Canada, we believe there's better value internationally. Accordingly, we will use our competitive advantage to capture opportunities that offer significant value and attractive growth in 2005.

In fact, we've already begun. Early in 2005, we added a third core region by acquiring the oil production offshore Western Australia. In 2004, we acquired properties in the Netherlands, further strengthening our presence in Western Europe. Vermilion is now well positioned to expand our operations in three core regions: Canada, Western Europe and Australia. These areas should enable us to grow using modest development capital and accretive acquisition programs. Each area has stable political and economic climates, well-established oil and gas markets and growth opportunities ideally suited to sustain the trust model.

Economically attractive acquisitions aren't the only way Vermilion is creating value. We are optimizing the value of our existing assets through traditional and unconventional means. During 2004, we participated in creating two new equity partnerships to

fully exploit the value of selected assets. Verenex Energy Inc. (Verenex) was launched to capitalize on higher-risk properties previously held within the Trust and to enable Vermilion to participate in an exciting international junior exploration and production company. Verenex has also taken great early strides beyond France—the company was one of 12 (and the only Canadian firm) to be awarded an exploration license in Libya's recent bid round. Verenex is rapidly gaining recognition as a respected participant in the world of high-stakes exploration. Vermilion owns 53.7% of Verenex, which trades on the TSX Venture Exchange under the symbol VNX.

Vermilion entered a joint-venture partnership with Glacier Energy Limited (Glacier) in June 2004, contributing one-half of our interest in 40,000 net acres of land in Central Alberta in return for a 38% equity position in Glacier. We're delighted to be working with one of Canada's foremost specialists in developing shallow gas and coalbed methane gas. The Trust will benefit in two ways: through the joint-venture growth opportunities from these previously under-exploited properties, and from our equity exposure in Glacier. We are very pleased with the results of this joint venture partnership to date and are excited about the future potential drilling.

We divested our interest in Aventura Energy Inc. in May 2004, generating net proceeds of \$165 million to Vermilion. The goal of our equity ventures is to accelerate value creation from the Trust's assets and improve sustainability of the trust model by reducing the amount of 'issued equity' capital required to replace production and reserves over the long term.

In 2004, we spent most of our development capital in Canada and France, allocating only a modest amount to the Netherlands. Our capital program is aimed at mitigating the natural declines from

our reservoirs, but is generally insufficient to replace all of our production. Last year we focused our efforts on low-cost workovers and recompletions. In France, Vermilion completed the La Torche 2 well in the Paris Basin, yielding good oil production and expanding our drilling prospects in the area.

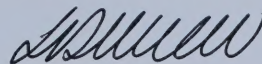
In 2005, we are increasing our capital program budget to \$68 million, approximately \$17 million higher than last year. We are encouraged by our exploitation opportunities, including the potential to improve our waterflood performance at Utikuma, our largest Canadian oil-producing property, and the possibility of significantly enhancing recovery on our largest reservoir in France, at Parentis. In Canada, our drilling plans include expanding the coalbed methane program with Glacier. We will also target infill-drilling prospects on our lands identified either by successful recompletions or historical success, predominantly in the Drayton Valley region. In France, we are planning to drill three to four wells in the Champotran/La Torche area and will continue a steady program of workovers and recompletions in the Parentis Basin.

In the third quarter of 2005, Verenex and Vermilion plan to run 3-D seismic on the Aquitaine Maritime prospect in the Bay of Biscay offshore southwest France to further delineate several attractive world-class structures, and we anticipate drilling one or two wells in the region in 2006. In the Netherlands, the average size of our acquired drilling prospects is approximately 45 bcf per well, significantly larger than most gas exploration plays in Western Canada. We will be working closely with our partners and regulatory authorities to initiate a drilling program, aspiring to drill our first well in late 2005. We are reviewing our capital program for Australia; however, we anticipate fairly modest expenditures in 2005. As you can see, we really have a world of opportunities to sustain the Trust.

A strong team of experienced and dedicated people enhances Vermilion's progress. In 2004, we were very pleased to welcome Bob Mac Dougall as our new Chief Operating Officer. Bob has more than 19 years of experience in production and drilling operations and was previously General Manager of Production and Operations for ChevronTexaco's Western Canadian producing properties. We also welcomed Greg Hay as the General Manager of our Netherlands operations. Greg has almost 30 years of industry experience including a posting as the Managing Director of Wintershall AG's operations in the Netherlands with its 40,000 boe/d of net production.

Vermilion is pleased to introduce William F. Madison as the newest member of our Board. Now a consultant residing in Houston, Texas, Bill spent 35 years with Marathon Oil Company before he retired as the Senior Vice President, Worldwide Production. Vermilion is privileged to benefit from Bill's international experience and strategic perspective.

Vermilion's excellent progress is reflected in our value—our share price has doubled since converting to a trust two years ago. I thank all of our staff for their ongoing contributions to this outstanding effort. I'm looking forward to another exciting and rewarding year as we continue using our international advantage to deliver strong, sustainable returns to our investors and superior rewards for all of our stakeholders.



Lorenzo Donadeo,
President & Chief Executive Officer
March 26, 2005

Our Canadian production averaged 12,398 boe/d in the fourth quarter of 2004, providing a core base for Vermilion and about one-half of our total volumes. Approximately 60% of our Canadian production is natural gas.

Vermilion is France's largest oil producer and the country's most active operator. Established in France since 1997, we maintain a steady stream of production, of which 97% is light oil. Our fourth quarter 2004 production averaged 5,954 boe/d.

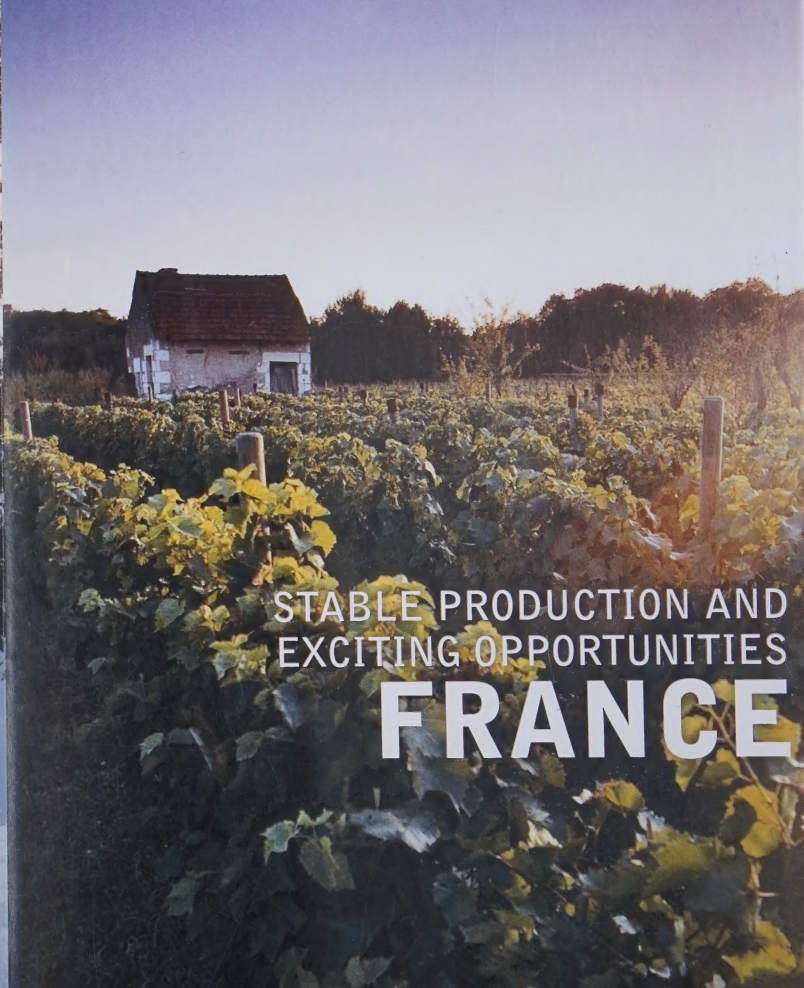


CANADA

WHAT CAN YOU EXPECT
IN THE FUTURE
FROM THESE ASSETS?



CORE ASSETS AND
NEW VENTURES
CANADA

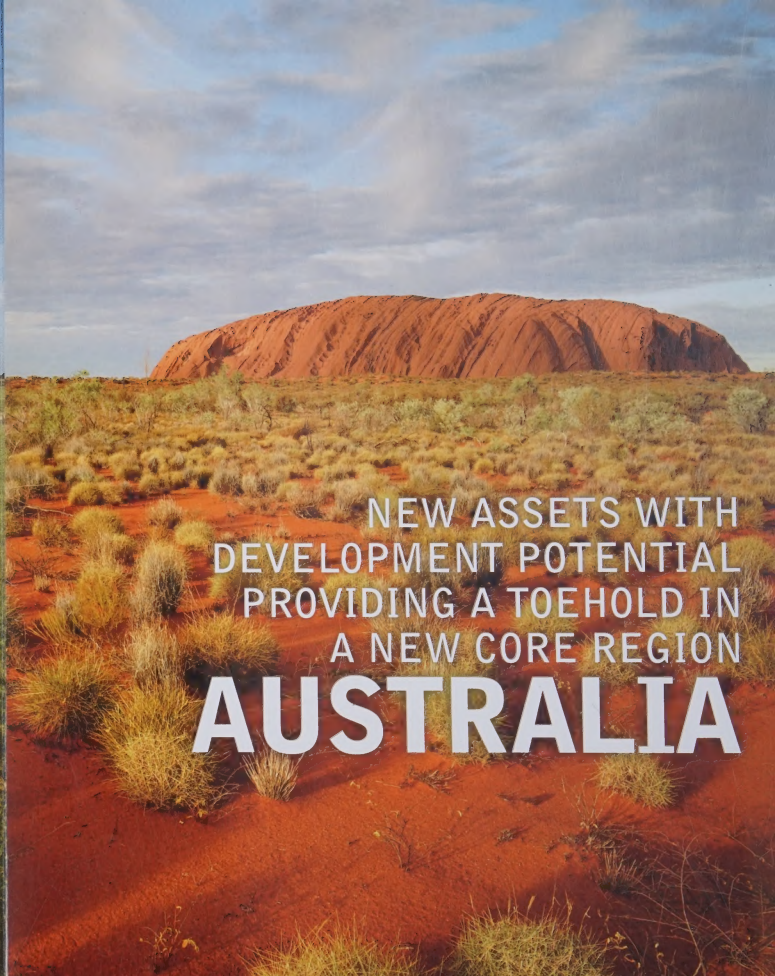


STABLE PRODUCTION AND
EXCITING OPPORTUNITIES
FRANCE



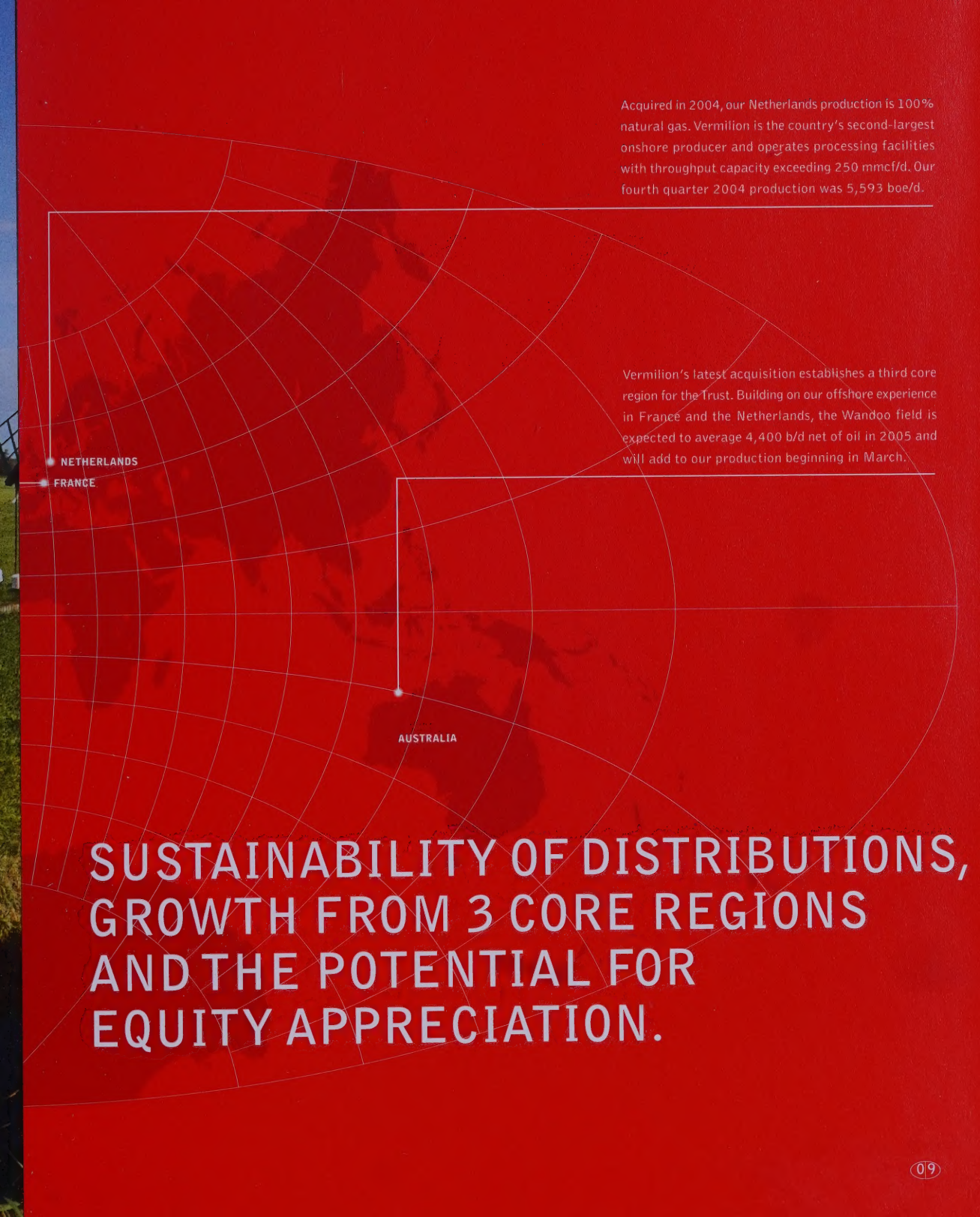
OPTIMIZATION AND
ATTRACTIVE RISK-REWARD
DEVELOPMENT OPPORTUNITIES

NETHERLANDS



NEW ASSETS WITH
DEVELOPMENT POTENTIAL
PROVIDING A TOEHOLD IN
A NEW CORE REGION

AUSTRALIA



Acquired in 2004, our Netherlands production is 100% natural gas. Vermilion is the country's second-largest onshore producer and operates processing facilities with throughput capacity exceeding 250 mmcf/d. Our fourth quarter 2004 production was 5,593 boe/d.

Vermilion's latest acquisition establishes a third core region for the Trust. Building on our offshore experience in France and the Netherlands, the Wandoo field is expected to average 4,400 b/d net of oil in 2005 and will add to our production beginning in March.

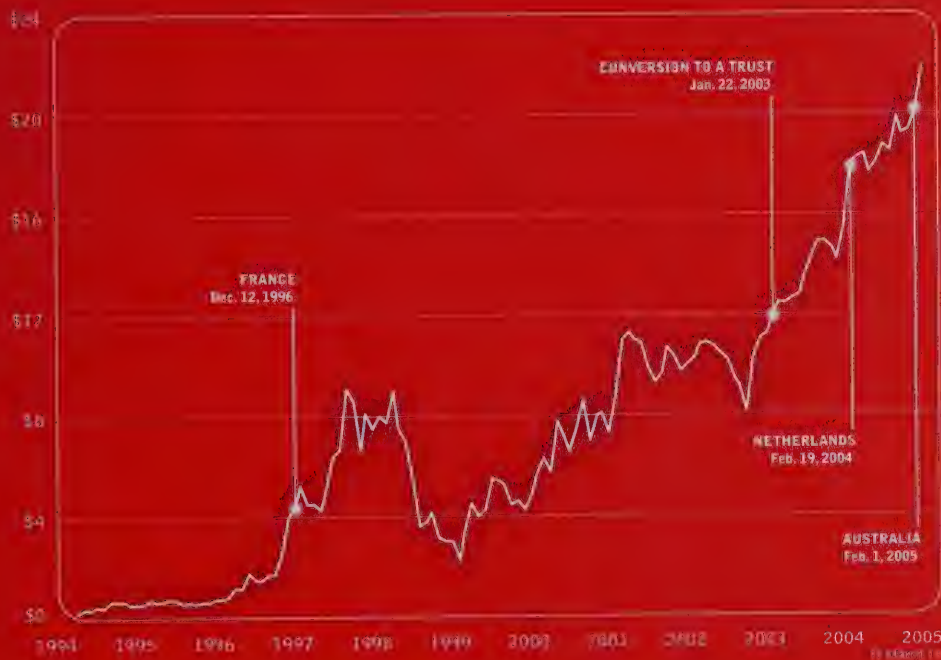
NETHERLANDS

FRANCE

AUSTRALIA

**SUSTAINABILITY OF DISTRIBUTIONS,
GROWTH FROM 3 CORE REGIONS
AND THE POTENTIAL FOR
EQUITY APPRECIATION.**

HOW DO VERMILION UNITHOLDERS BENEFIT FROM THESE OPPORTUNITIES?



**A TOTAL RETURN OF 44.5% IN 2004—
31.2% FROM CAPITAL APPRECIATION
AND 13.3% FROM DISTRIBUTIONS—
AND GREATER THAN 100% SINCE
JANUARY 24, 2003, WHEN VET.UN
BEGAN TRADING ON THE TSX.**

CANADA





Vermilion focuses on four core areas—Slave Lake, Drayton Valley, Athabasca and Central Alberta—with our main producing properties at Drayton Valley, where we control approximately 120,000 net undeveloped acres. We are targeting and producing hydrocarbons from reservoirs from the Devonian, Jurassic and Cretaceous ages, giving us the potential to encounter more than one producing zone per well. On some of our Rock Creek/Ellerslie (Jurassic/Cretaceous) production, we are evaluating downspacing to

two wells per section instead of one to improve reserve recoveries. Our largest oil-producing property is Utikuma at Slave Lake, originally acquired in late 1998. We have recovered approximately 40% of the original 200 mmbbls of oil-in-place at Utikuma and are evaluating the potential to extend recovery from this reservoir. In 2005, we will continue to focus on low-risk workovers and recompletions, as well as a modest drilling program.

FRANCE

Ecremage →





Investors seldom envision France as a producer of oil and gas, yet this is the source of some of Vermilion's most high-quality and stable production. Development drilling in the Paris Basin and production maintenance in the Aquitaine Basin south of Bordeaux provide us with low-decline oil production. We are applying our experience in Canada to the same geological-aged formations in France. Our reservoir targets in the Paris Basin are predominantly Jurassic carbonates, and at Parentis in the Aquitaine Basin are

Cretaceous carbonates and sandstones. A world-class field, Parentis originally held more than 850 million barrels of oil, and with only 219 million produced, we believe there is plenty of upside potential and continue to evaluate methods to increase recoveries. We also hold a 50% interest in the Aquitaine Maritime exploration concession in the Bay of Biscay offshore southwestern France, where we plan to run a 3-D seismic program this year.

NETHERLANDS





The Netherlands is the world's sixth-largest producer of natural gas, and Vermilion looks forward to expanding our share of production in this country. Our initial acquisition, in May 2004, provided Vermilion with producing properties with attractive optimization and development opportunities. The drilling prospects we acquired, which we hope to test with our first well late in 2005, offer targets of approximately 40-50 bcf per well, significantly larger than most gas exploration plays in Canada. We also gained control of facilities capable of processing more than 250 million cubic

feet of natural gas per day, which enables us to control our costs and may potentially add to our revenue stream. Our operations include net production of more than 30 million cubic feet per day of natural gas from approximately 50 wells in Cretaceous carbonate and sandstone reservoirs at depths ranging from 1,000 to 2,200 metres. Vermilion also operates the Zuidwal production platform in the shallow waters of the Waddenzee about 15 kilometres from shore. We manage our operations in the Netherlands through a fully staffed office in Harlingen.

AUSTRALIA





The newest addition to Vermilion's portfolio is the offshore Wandoo oil field on the North West Shelf of Western Australia, which we acquired in the first quarter of 2005. Discovered in 1991, the Wandoo field produces nonacidic sweet oil from a Cretaceous sandstone reservoir with original oil-in-place of approximately 160 million barrels. Approximately 38% of the original oil-in-place has been recovered to date, and there is potential to increase ultimate oil recoveries. Current net production of 4,800

barrels per day is produced via a concrete gravity-based Wandoo B platform and the unmanned Wandoo A monowood platform. The Wandoo B platform has the capability to process more than 120,000 barrels of fluid per day and has storage capacity of 400,000 barrels of oil. Vermilion will focus immediate efforts on cost reductions, facilities' debottlenecking and workover opportunities. We will also be evaluating development drilling prospects and the potential for satellite acquisitions.

COALBED



METHANE



Alberta is rich in coal, much of which is suited for extracting natural gas. The area of greatest commercial activity to date has been the shallow Horseshoe Canyon coal seams in central Alberta. These coals are typically found at depths of approximately 300 metres and usually contain 10 to 20 metres of thin coal seams within a 70- to 120-metre bed. Vermilion holds a substantial land position and a well-developed natural gas infrastructure in the heart of recent

activity in this area, and has a joint venture with Glacier Energy Limited, a privately owned company that is a specialist in this field. Glacier launched its shallow drilling program in the last half of 2004 and has successfully drilled more than 35 new wells. In 2005 and beyond, Glacier will continue to expand its drilling program, in which we participate directly as a 50% partner.

A full-page photograph of a desert landscape. In the foreground, there are several palm trees and other desert vegetation. In the middle ground, a caravan of camels is walking across the sand dunes. The background shows rolling sand dunes under a clear sky. The word "VERENEX" is overlaid in large, white, bold letters across the upper part of the image.

VERENEX



Verenex Energy Inc. was launched in June 2004 as a pure international exploration and production company. Vermilion contributed prospective exploration lands in France, a gross overriding royalty in Canada and \$5 million in cash in return for a 53.7% equity stake in the new venture. Verenex assembled an exceptional management team and Board of Directors and hit the ground running. The Company was one of only 12, and the only Canadian firm, to be awarded a significant exploration and production sharing agreement

in Libya during a recent bid round in which 63 companies participated. The 6,182 square kilometre block is in the Ghadamas Basin, a prolific producing region that extends into Tunisia and Algeria. Verenex will focus on accelerating exploration in France, including the Aquitaine Maritime offshore prospect, and on its new license in Libya. Vermilion unitholders will benefit from Verenex's success through the Trust's equity position in Verenex.

LORENZO DONADEO, P.ENG.
President & CEO

Lorenzo, a co-founder of Vermillion Resources, has more than 24 years of energy industry management and operating experience.



BOB MAC DOUGALL, P.ENG.
COO

Bob has more than 19 years of industry and management experience in Canada and the United States in both onshore and offshore drilling and completions engineering and operations.



CHERYL KINZIE
Director, Human Resources

Cheryl has 19 years of human resources experience in the oil and gas industry and manages all aspects of Vermillion's programs in this area.



DOUG REYNOLDS, P.LAND
VP Land and New Ventures

Doug's broad experience spans all areas of land management in Canada, the U.S. and internationally over the last 24 years.



DANIEL GOULET, P.ENG.
Directeur Général,
Vermillion REP SAS

Daniel has 17-years of experience in management and operations in Canada, Gabon and, for the last 5 years, in France with Vermillion.



**LEADING THE ADVANCEMENT OF THESE OPPORTUNITIES
IS A TEAM WITH A WORLD OF EXPERIENCE AND A WIDE
DEPTH OF EXPERTISE IN OIL AND GAS OPERATIONS.**

RON WILLIAMS, C.A.

Director, Finance

Ron has 13 years of domestic and international oil and gas industry experience, primarily in the areas of audit, finance and taxation.

PAUL BEIQUE

Director, Investor Relations

Well versed in the energy industry and capital markets, Paul has an MBA, 15 years of experience as a respected mid-size investment analyst and 5 years as a production engineer.

CURTIS HICKS, C.A.

Exec. VP & CFO

Curtis has more than 21 years of industry experience, primarily in the financial area of oil and gas operations, as well as property and corporate acquisitions.

KEITH HARTMAN, P.ENG.

Director, Exploitation

Keith has worked in Canada and internationally in operations, production optimization, exploration, facilities operation and project management over the last 16 years.

GREG HAY, P.ENG.

Managing Director,
Vermilion Oil & Gas Netherlands B.V.

Greg has 25 years of experience in senior management and petroleum engineering in Canada, Africa and the Netherlands.

RAJ PATEL, P.ENG.

VP Marketing

For more than 25 years, Raj has successfully marketed oil and gas domestically and internationally while managing commodity price risks.

CLAUDIO GHERSINICH, P.ENG.

Exec. VP Business Development

A co-founder of Vermilion Resources, Claudio has more than 25 years of management experience in identifying, acquiring and developing undervalued oil and gas properties.

Charles Anderson
 Garth Anderson
 Cathy Arcuri
 Wanda Armier
 Vicky Badger
 Monica Baranec
 Andrea Bartolotti
 Paul Beique
 Sandy Bilinski
 Jennifer Bissonette
 Leslie Bodell
 Kendall Bohning
 Kirk Sordal
 Curtis Bowerman
 Mike Bowie
 Margaret Bowman
 Laurie Bradford
 Terence Brauch
 Cindy Dunn
 Gloria Burden
 Karen Campion
 Ray Carbert
 Rob Carss
 Rodney Chase
 Karen Civitarese
 Terrie Clark
 Sandi Cole
 Leigh Cunes
 Jan Darichuk
 Celsa De Sa
 Alida deBoer
 Doug Doane
 Lorenzo Donadeo
 Dennis Dunsmore
 Don Durgan

Scott Ferguson
 Fay Fraser
 Claudio Gherinich
 Eric Gladue
 Marlene Gouldie
 Shawn Gower
 Trish Hall
 Brian Halldorson
 Dean Hanson
 Keith Hartman
 Bob Heff
 Colleen Hickry
 Curtis Hicks
 Elizabeth Holmes
 Harry Hooi
 Cory Huska
 Shane Hutchinson
 Debra Iantkow
 Steve Ironside
 Glenna Jefferies
 Brady Jensen
 Cheryl Kiezie
 Kenton Klein
 Chris Kolchopolos
 Claudia Kylo
 Vern Lalonde
 Alison Lerat
 Helen Lawless
 William Lee
 Pam Lyons
 Bob Mac Dougall
 Monty MacEwen
 Clarence Malbeuf
 Terry Manum
 Brian Markowski

Wendy Matchett
 Mary Meenagh
 Connie Mireau
 Rob Morrison
 Kyle Murphy
 Laurie Nashchuk
 Gayle Mearns
 Carolyn Mitchell
 Dwight Orphanoff
 Ray Pate
 Sherrya Bender
 Bruce Peley
 David Perry
 Denis Plessman
 Mike Peltz
 Sandra Pottle
 Kevin Radomski
 Reid Rauch
 Doug Rembold
 Lee Robinson
 Roger Savatkin
 Velma Scott
 Stuart Scatter
 David Shannon
 Chris Sharman
 Cindy Smith
 Ann Sommer
 James Trowell
 Neil Wallace
 Eamonn Wilson
 Ronald Williams
 Rodric Wilson
 Denis Walkowski
 Gail Zirk

■ CANADA

VERMILION'S TALENTED AND DEDICATED EMPLOYEES IN CANADA, FRANCE AND THE NETHERLANDS—AND SOON IN AUSTRALIA—ENHANCE THE TRUST'S PROGRESS.

TRUST PERFORMANCE SNAPSHOTS

This year we are releasing our first Annual Update Report. As most of our unitholders have indicated their preference not to receive our full annual report, complete with the Audited Financial Statements, Management's Discussion and Analysis and Notes to the Financial Statements, the following pages provide a summary of information that we believe unitholders will find concise, practical and user-friendly. The complete audited financial statements are available under our corporate filings at www.sedar.com. The full reserve information is available in our Annual Information Form filing, also on [sedar](http://www.sedar.com). Alternatively, if you are interested in receiving hard copies of these documents, please contact our investor relations department. Our Annual Update Report will be prepared and distributed annually to all of our unitholders as a supplement to legal filing requirements. Please keep this in mind when you respond to the request for annual report documents on the proxy statement. If this Annual Update is sufficient for your needs, then no request for additional materials is necessary. We will be glad to provide the full set of documents to unitholders who request them.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS ^{1,2}

(Thousands of Canadian dollars, except unit and per unit amounts)

CONSOLIDATED BALANCE SHEETS SUMMARY	2004	2003
		Restated
CURRENT ASSETS	\$ 128,633	\$ 96,483
Deferred charges for derivative instruments	4,718	—
Long-term investment	5,398	—
Reclamation fund	17,016	1,678
Capital assets related to discontinued operations	—	85,597
Capital assets	688,837	596,831
	\$ 844,602	\$ 780,589
CURRENT LIABILITIES	\$ 141,633	\$ 94,917
Long-term debt	75,014	135,558
Asset retirement obligation	51,688	15,570
Future income taxes related to discontinued operations	—	6,919
Future income taxes	145,680	151,198
Non-controlling interest	16,257	—
Non-controlling interest – exchangeable shares	23,069	15,129
UNITHOLDERS' EQUITY	391,261	361,298
	\$ 844,602	\$ 780,589

1. This is a non GAAP presentation of the financial statements. For a copy of our fully audited financial statements, please refer to our public filings on www.sedar.com or contact our investor relations department.

VERMILION AT A GLANCE

- The premier Canadian-based international energy trust
- The only Canadian-based energy trust with producing properties outside North America, with operations in France, the Netherlands and Australia
- Balanced production estimated at 55% oil and NGLs and 45% natural gas in 2005
- Operates more than 80% of our production
- Estimated reserve life index of 10.3 years as at January 1, 2005, including our newly acquired Australian assets
- Employ approximately 225 employees and contractors worldwide (130 at our head office and Canadian fields and 95 internationally)
- Listed on the Toronto Stock Exchange under the symbol VET.UN and also trades over-the-counter in the U.S. under the symbol VETMF
- Units outstanding: 66,628,642 basic, 71,372,742 fully diluted, including exchangeables
- Market capitalization of approximately C\$1.5 billion at February 14, 2005
- Management & Directors own approximately 10% of the units outstanding
- Current distribution rate of C\$0.17 per month per unit

CONSOLIDATED STATEMENTS OF EARNINGS SUMMARY ^{1,2}

	2004	2003
		Restated
REVENUE		
Petroleum and natural gas revenue	\$ 354,525	\$ 314,146
Royalties	63,555	74,719
	290,970	239,427
EXPENSES		
Production	55,917	51,161
Transportation	9,865	10,370
Accretion	2,261	1,134
Unit compensation	26,766	8,303
Loss on derivative instruments	38,597	—
Interest on long-term debt	3,086	9,348
General and administrative	13,410	10,368
Reorganization costs	—	25,628
Foreign exchange (gain) loss	(1,285)	2,998
Depletion and depreciation	95,279	91,947
	243,896	211,257
EARNINGS BEFORE INCOME TAXES, OTHER ITEMS AND DISCONTINUED OPERATIONS	\$ 47,074	\$ 28,170
INCOME TAXES (RECOVERY)		
Future	(21,033)	(23,832)
Current	16,583	4,205
Capital	525	761
	(3,925)	(18,866)
Other items	3,585	4,335
NET EARNINGS FROM CONTINUING OPERATIONS	\$ 47,414	\$ 42,701
Per trust unit, basic	\$ 0.79	\$ 0.80

CONSOLIDATED STATEMENTS OF CASH FLOWS SUMMARY ^{1,2}

	2004	2003
		Restated
OPERATING		
Cash and cash equivalents provided by (used in):		
Funds from operations	\$ 170,179	\$ 144,761
Other	21,198	11,134
	191,377	155,895
INVESTING		
Proceeds on sale of Aventura	164,585	—
Drilling and development	(67,259)	(66,919)
Acquisition of petroleum and natural gas property	(72,985)	—
Other	(52,407)	(4,351)
	(28,066)	(71,270)
FINANCING		
Decrease in long-term debt	(60,544)	(57,467)
Issue of common shares for cash, net of issue costs	8,836	81,953
Cash distributions	(122,366)	(88,864)
Other	30,972	5,652
	(143,102)	(58,726)
Foreign exchange gain (loss)	502	(4,103)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 20,711	\$ 21,796
Weighted average trust units outstanding, basic, including exchangeables	66,087,146	58,600,290
Cash flow from operations related to the Trust	\$ 169,847	\$ 144,761
Cash flow per trust unit, including exchangeables	\$ 2.57	\$ 2.47

1 This is a non GAAP presentation of the financial statements. For a copy of our fully audited financial statements, please refer to our public filings on www.sedar.com or contact our investor relations department.

2 Includes Consolidated Results of Verenex Energy Inc.

SUMMARY OF OPERATIONAL INFORMATION

TRUST PRODUCTION SUMMARY	Twelve months ended December 31, 2004			YTD 2003
	Oil & NGLs (b/d)	Gas (mmcf/d)	Total (6:1) (boe/d)	Total (boe/d)
CANADA	5,723	46.4	13,453	16,671
FRANCE	5,763	1.5	6,018	6,271
NETHERLANDS	13	21.0	3,519	—
Total Trust	11,499	68.9	22,990	22,942

OPERATING NETBACK SUMMARY	Twelve months ended December 31, 2004			YTD 2003
	Oil & NGLs (\$/bbl)	Gas (\$/mcf)	Total (6:1) (\$/boe)	Total (\$/boe)
CANADA				
Price	\$ 48.58	\$ 7.07	\$ 45.04	\$ 40.53
Realized hedging loss	(7.01)	(0.04)	(3.11)	(2.01)
Royalties (net)	(9.70)	(1.90)	(10.68)	(10.59)
Transportation	(0.06)	(0.17)	(0.61)	(0.60)
Lifting costs	(7.34)	(0.91)	(6.27)	(5.82)
Operating netback	\$ 24.47	\$ 4.05	\$ 24.37	\$ 21.51
FRANCE				
Price	\$ 45.96	\$ 5.16	\$ 45.32	\$ 38.20
Realized hedging loss	(7.63)	—	(7.31)	(3.37)
Royalties (net)	(5.11)	(0.32)	(4.98)	(4.49)
Transportation	(3.25)	—	(3.11)	(2.92)
Lifting costs	(7.23)	(2.42)	(7.54)	(6.88)
Operating netback	\$ 22.74	\$ 2.42	\$ 22.38	\$ 20.54
NETHERLANDS				
Price	\$ 50.05	\$ 5.44	\$ 32.71	\$ —
Realized hedging loss	—	—	—	—
Royalties (net)	—	—	—	—
Transportation	—	—	—	—
Lifting costs	—	(1.10)	(6.55)	—
Operating netback	\$ 50.05	\$ 4.34	\$ 26.16	\$ —
TOTAL TRUST				
Price	\$ 47.27	\$ 6.53	\$ 43.23	\$ 39.90
Realized hedging loss	(7.31)	(0.03)	(3.73)	(2.38)
Royalties (net)	(7.39)	(1.29)	(7.55)	(8.92)
Transportation	(1.66)	(0.11)	(1.17)	(1.24)
Lifting costs	(7.28)	(1.00)	(6.65)	(6.11)
Operating netback	\$ 23.63	\$ 4.10	\$ 24.13	\$ 21.25

RESERVES SUMMARY AS AT JANUARY 1, 2005

	Oil Equivalent				Net Present Value ^{1,2}	
	Light & Medium Oil (mmbbls)	NGLs (mmbbls)	Natural Gas (bcf)	6:1 (mmboe)	at 8% (\$m)	at 12% (\$m)
CANADA						
Proved	10.12	3.52	92.5	29.05		
Proved plus probable	13.27	5.25	141.1	42.03	\$ 518,196	\$ 442,777
FRANCE						
Proved	25.08	—	2.3	25.46		
Proved plus probable	35.19	—	3.2	35.73	\$ 335,314	\$ 274,212
NETHERLANDS						
Proved	—	0.11	74.8	12.57		
Proved plus probable	—	0.14	90.7	15.26	\$ 181,502	\$ 164,597
CONSOLIDATED						
Proved	35.20	3.64	169.5	67.09		
Proved plus probable	48.50	5.38	235.0	93.01	\$ 1,035,012	\$ 881,586

1 Calculated on a pre-tax basis.

2 The net present value of the reserves (cumulative cash flow) is based on Gilbert Laustsen Jung's forecasted price and cost scenarios, is presented for comparative purposes only and is not necessarily representative of fair market value.

Numbers may not total because of rounding.

RESERVES RECONCILIATION SUMMARY AS AT JANUARY 1, 2005

Oil Equivalent (mmboe) Gas at 6:1	Proved Producing	P90 Total Proved	P50 Proved Plus Probable	VET Units ¹ Outstanding (mm)	P50 Reserves per Unit	Change in Reserves per Unit
OPENING BALANCE	51.95	62.56	84.58	64.694	1.307	
Drilling additions	0.44	1.53	3.05			
Acquisition	14.02	14.05	16.74			
Disposition	—	(0.76)	(1.81)			
Technical revisions	1.47	(1.87)	(1.15)			
Production	(8.41)	(8.41)	(8.41)			
CLOSING BALANCE	59.47	67.09	93.01	66.629	1.396	+ 6.8%

1 Includes exchangeables.

Numbers may not total because of rounding.

TRUST INFORMATION

DIRECTORS

LARRY J. MACDONALD ^{1,2,3,4,5}

Chairman & CEO,
Point Energy Ltd.
Calgary, Alberta

JEFFREY S. BOYCE ^{2,3,4,5}

President & CEO,
Clear Energy Inc.
Calgary, Alberta

LORENZO DONADEO

Calgary, Alberta

CLAUDIO A. GHERSINICH

Calgary, Alberta

JOSEPH F. KILLI ^{2,3}

CEO,
Parkbridge Life Style Communities Inc.
President,
Rosebridge Capital Corp. Inc.
Calgary, Alberta

WILLIAM F. MADISON ^{2,4,5}

Sugar Land, Texas

¹ Chairman of the Board

² Audit Committee

³ Governance and Human Resources
and Nominating Committee

⁴ Health, Safety and Environment Committee

⁵ Independent Reserves Committee

ANNUAL AND SPECIAL MEETING

May 6, 2005, at 10:00 a.m.

Grand Lecture Theatre

Metropolitan Centre

333 4 Avenue S.W.

Calgary, Alberta

FORWARD-LOOKING INFORMATION

This report contains forward-looking financial and operational information including earnings, cash flow, production and capital expenditure projections. These projections are based on the Trust's expectations and are subject to a number of risks and uncertainties that could materially affect the results. These risks include, but are not limited to, future commodity prices, exchange rates, interest rates, geological risk, reserves risk, political risk, product demand and transportation restrictions.

OFFICERS & KEY PERSONNEL

CANADA

LORENZO DONADEO, P.Eng.

President & Chief Executive Officer

CLAUDIO A. GHERSINICH, P.Eng.

Executive Vice President,
Business Development

CURTIS W. HICKS, C.A.

Executive Vice President & CFO

G. R. (BOB) MAC DOUGALL, P.Eng.

Chief Operating Officer

RAJ C. PATEL, P.Eng.

Vice President, Marketing

DOUGLAS W. REYNOLDS, P.Land

Vice President, Land and New Ventures

PAUL L. BEIQUE

Director, Investor Relations

KEITH D. HARTMAN, P.Eng.

Director, Exploitation

CHERYL M. KINZIE

Director, Human Resources

RONALD A. WILLIAMS, C.A.

Director, Finance

CHARLES W. BERARD, B.Eng., LL.B., LL.L

Partner, Macleod Dixon

Corporate Secretary

FRANCE

DANIEL GOULET, P.Eng.

Directeur Général,

Vermilion REP SAS

NETHERLANDS

GREGORY T. HAY, P.Eng.

Managing Director

Vermilion Oil & Gas Netherlands B.V.

AUDITORS

Deloitte & Touche LLP

Calgary, Alberta

BANKERS

Bank of Montreal

Calgary, Alberta

BNP Paribas

Paris, France

BNP Paribas (Canada)

Toronto, Ontario

Canadian Imperial Bank of Commerce

Calgary, Alberta

The Toronto-Dominion Bank

Calgary, Alberta

EVALUATION ENGINEERS

Gilbert Laustsen Jung

Associates Ltd.

Calgary, Alberta

LEGAL COUNSEL

Macleod Dixon LLP

Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company

of Canada

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Symbol: VET.UN

INVESTOR RELATIONS CONTACT

Paul L. Beique

Director, Investor Relations

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Fax: (403) 264-6306

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HEAD OFFICE

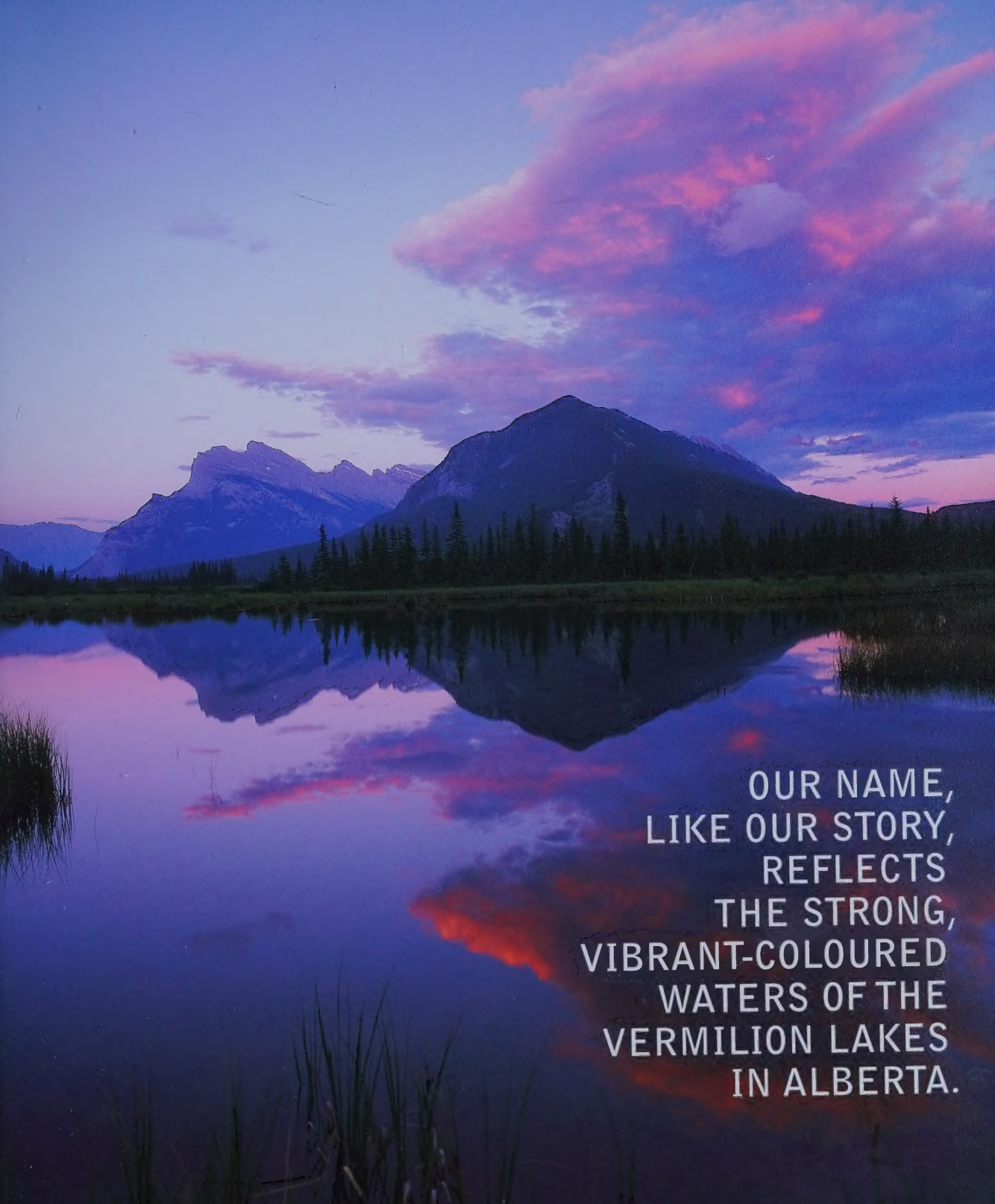
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OUR NAME,
LIKE OUR STORY,
REFLECTS
THE STRONG,
VIBRANT-COLOURED
WATERS OF THE
VERMILION LAKES
IN ALBERTA.

VERMILION
ENERGY TRUST



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